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ATHABASCA COLUMBIA RESOURCES LTD.

ANNUAL REPORT / 1969

ATHABASCA COLUMBIA RESOURCES LTD.

ANNUAL REPORT / 1969

Year ended May 31, 1969

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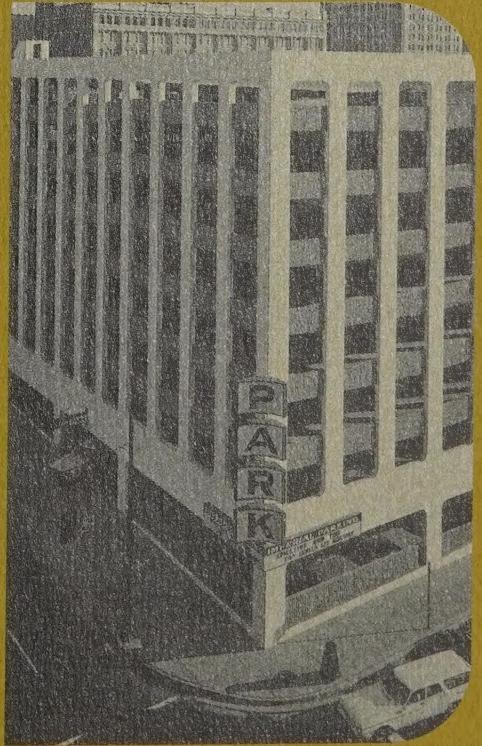
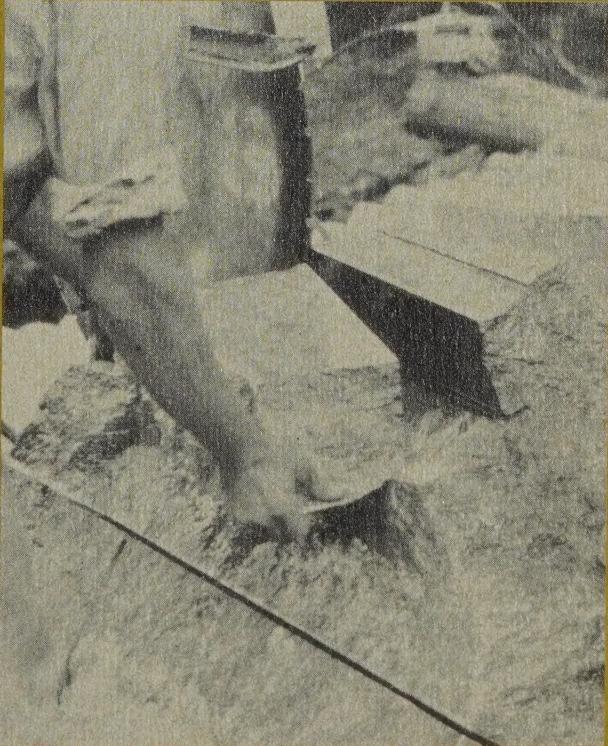
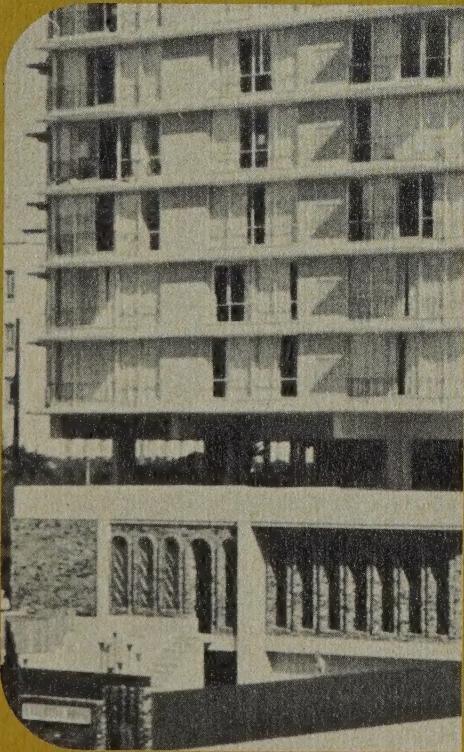
ATHABASCA COLUMBIA RESOURCES LTD.

ANNUAL REPORT 1969

Year ended May 31, 1969

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PRESIDENT'S MESSAGE

On the occasion of the first annual report prepared after completion of your Company's underwriting in February 1969 I would like to provide you with possibly more detailed information than may be required in future reports.

As many of you are aware your Company was originally organized in 1965 and as a result of considerable expansion in activities in the following four years we arranged a public underwriting earlier this year. We are pleased to have so many new shareholders as a result of this underwriting and the subsequent listing on the Vancouver Stock Exchange.

As indicated in the attached financial statements the overall financial position at 31 May 1969 showed a major improvement over that of the previous year. The operating results were in line with original budgets and the outlook for the coming year is for a further significant improvement.

During the year your Company obtained participation in a number of new projects and in many of these the extent of the interest was somewhere between 40% and 60%. The remaining equity in most cases was held by the individual who is providing full time management. It is the Company's objective to participate primarily in enterprises with proven management capabilities and to assist such management through financial assistance and guidance on overall corporate matters.

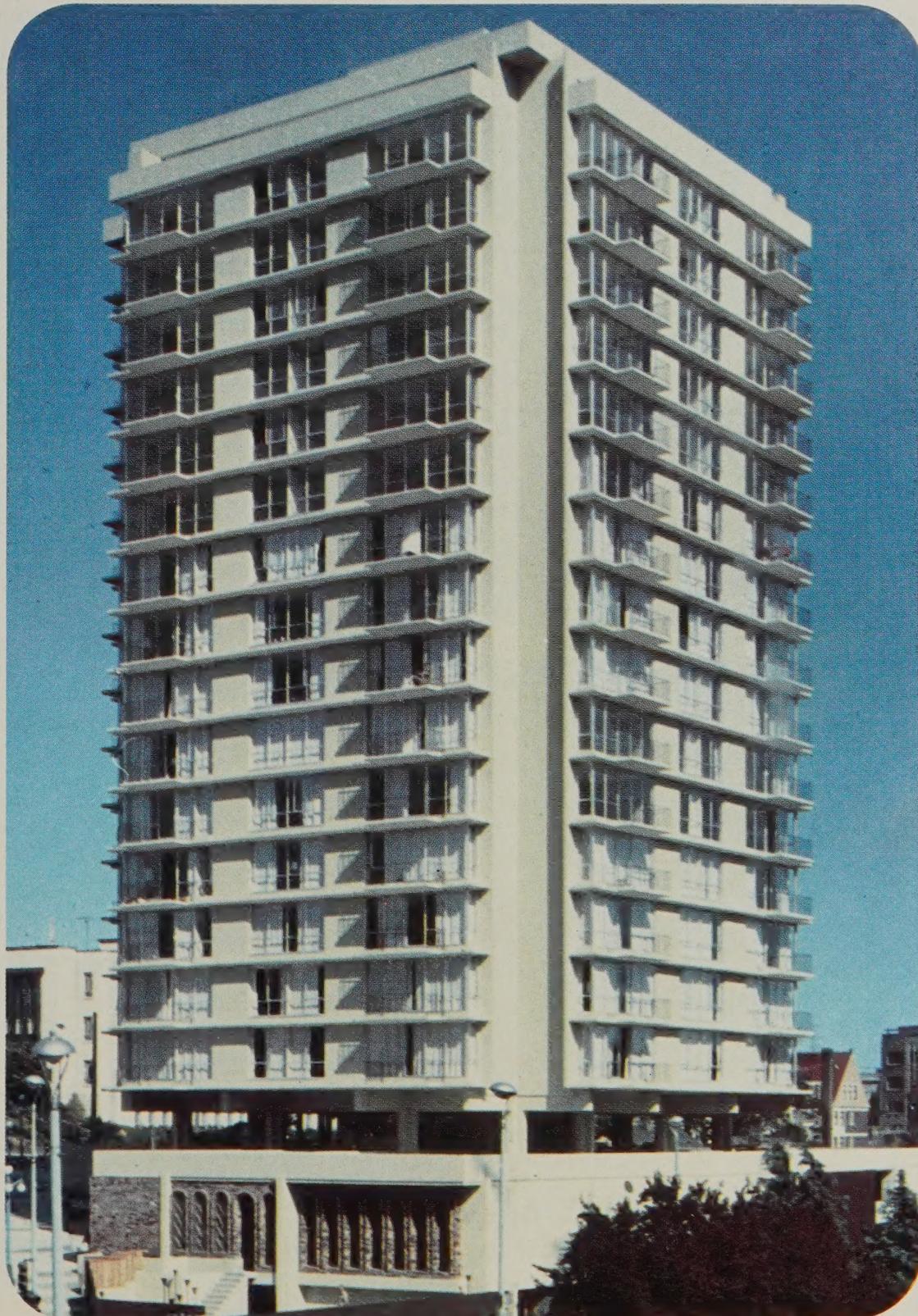
As we become more fully involved and familiar with each operation we may agree to obtain additional equity to at least permit consolidation of operating results. During the past year our first move in this direction was to acquire the 50% equity in Athabasca Columbia Parking Ltd. which had originally been held by other associates. We expect to follow this general policy in the future.

As you may be aware your Company's operations to date have been carried out by your Directors on a part time basis and without help of any full time staff. As operations become more extensive and complex it will become necessary to develop a full time professional management staff. The matter of the Company's organization and management will receive considerable attention from myself and the rest of the Directors during the coming year.

You will see by the Notice of the Shareholders' Meeting that certain changes in the Articles of the Company are proposed. The changes were requested as a condition of listing by the Vancouver Stock Exchange and the reason for these changes is, I believe, self-evident.



Wilder H. Ripley
President



*The apartment/hotel
of Executive House
Ltd. in downtown
Victoria.*

REAL ESTATE

EXECUTIVE HOUSE LTD.

The Company owns 50% of the issued shares of Executive House Ltd. which company owns and operates a combined hotel and apartment building in a favourable location in downtown Victoria, B.C. When completed in 1966 the building had 45 hotel rooms, 114 apartments, two restaurants and a number of commercial areas. As demand warranted apartments have been converted to hotel rooms and by 1969 there were 70 hotel rooms and 89 apartments. The combination of increasingly higher rates from the hotel operation plus a generally higher level of overall rental income has resulted in continuously higher annual revenue and profits. This trend is expected to continue in the forthcoming year.

All cash profits are applied to repayment of the original loan of \$300,000 from the Company which had been reduced to \$213,000 by May 31, 1969. Based on the future outlook these loans should be repaid within the next two or three years.

It is believed the Victoria building has a current market value of some \$2,500,000 which would indicate the Company's 50% equity at about \$450,000.

ATHABASCA COLUMBIA PARKING LTD.

This Company was formed in 1966 to acquire property at the corner of Dunsmuir and Hornby Streets in Vancouver on which a 340 automobile parkade was to be

erected. The Company held a 50% interest in the parking company. The building was completed in 1967 and income has developed as forecast.

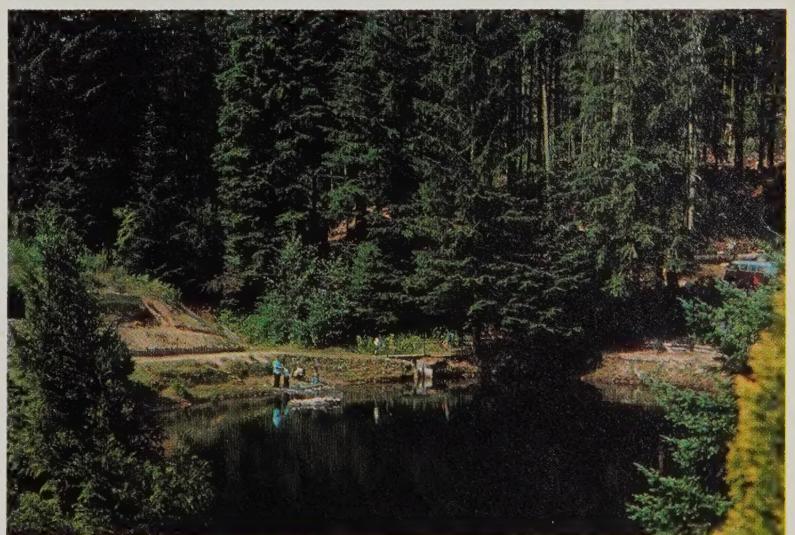
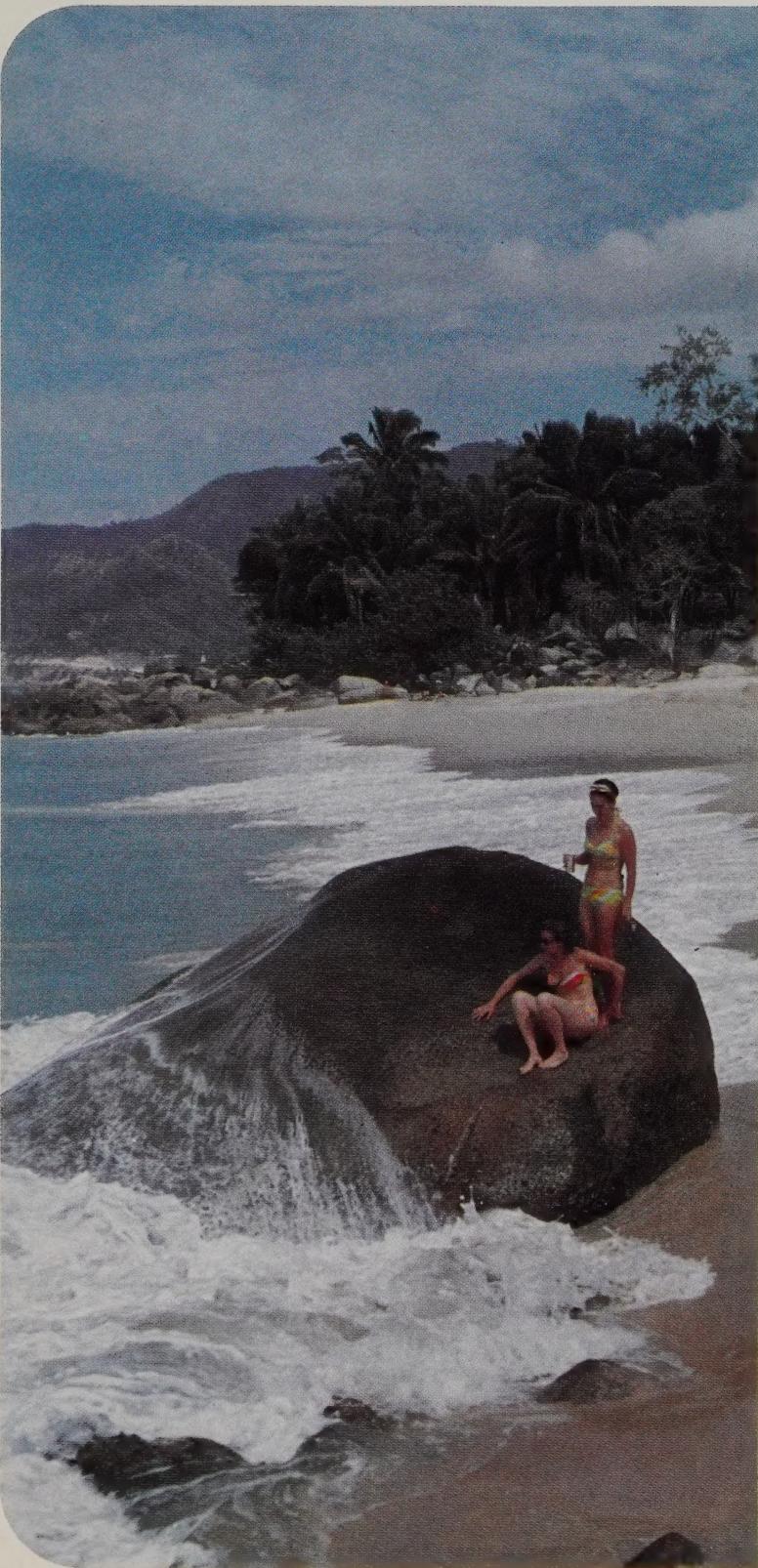
In the Spring of 1969 the Company acquired the remaining 50% interest in the parking business in exchange for 25,000 shares of the Company's stock. It has also assumed responsibility for all outstanding loans to the parking business which totalled \$275,000 at 31 May 1969. The cash profit of the business will be applied to reduction of these loans which should permit full repayment within four years.

The parkade currently has a market value of about \$1,150,000 which would place a value on the Company's equity of \$450,000.

BEACH PROPERTY AT PUERTO VALLARTA, MEXICO

In July 1968 the Company acquired 100% of the issued shares of Inversora Comercial de Occidente S.A. The latter company is the beneficial owner of all outstanding shares of a second Mexican company Hotel Club Los Arcos S.A. which purchased approximately 1,000 feet of beach frontage five miles south of Puerto Vallarta in the State of Jalisco, Mexico.

In February 1969 Hotel Club Los Arcos S.A. purchased an adjacent piece of property with some 2,300 feet of beach frontage. The combined properties contain some 10 acres with almost three quarters of a mile of the most outstanding beach front in the Puerto Vallarta area.



The parkade building located at Hornby & Dunsmuir Streets in downtown Vancouver.

One of the lakes on the 42 acre Anmore Trailer Park.

North beach on the Puerto Vallarta property.

An all weather road providing access to the property from Puerto Vallarta was completed in 1968 which substantially enhanced the value of property in the

Los Arcos area. With completion of a jet air strip and an all weather road from Guadalajara, Puerto Vallarta is now readily accessible to tourists from Mexico, the United States and Canada. It is now only a 4½ hour trip by jet from Vancouver to Puerto Vallarta.

Since acquiring the property studies have been carried out and plans have been prepared for the comprehensive development of the property. Negotiations exploring possible development of an hotel and condominium complex, or alternately the sale of the property, are currently under way. In spite of the difficult international monetary situation it is anticipated that the demand for additional tourist facilities in the

Puerto Vallarta area will make financing and development of these lands possible in the near future.

ANMORE RECREATIONS LTD.

Early in 1969 the Company acquired a 45% interest in Anmore Recreations Ltd. which owns some 42 acres of land near Ioco, B.C., about 10 miles east of Vancouver. Mr. D. M. McTavish, the President of Anmore who was responsible for consolidating the property some 6 years ago, holds a 50% interest and is responsible for management of the company.

The property is being developed as a trailer park and will have a capacity of 300 fully serviced trailer spaces in 1969 as compared to 100 in 1968.

For its 45% interest the Company loaned Anmore approximately \$60,000 which is being used to finance the current expansion program. Over the next three years

the capacity of the property is expected to be increased to over 1,000 trailer spaces. The Company is forecasting a substantial revenue from this operation.

Located within the property are a stream and two lakes, one of which is stocked with trout for fishing and the other is used for swimming. With these amenities, extensive landscaping and a very scenic mountain topography, this trailer park is one of the most outstanding operations of its type in B.C.

MINING

JADE QUEEN MINES LTD. (N.P.L.)

In May 1969 the Company acquired a 27½% interest in Jade Queen Mines Ltd. which holds mineral claims to what appears to be one of the largest nephrite jade deposits in the world. This deposit was discovered by Mrs. Winnifred Robertson in 1968 after she had devoted some 10 years of searching for the source of much of the jade boulders commonly found in the Fraser River system. Mrs. Robertson and previous associates hold 45% of Jade Queen Mines Ltd. and the remaining 27½% is held by T. L. Brook, President of Asameria Oil Ltd.

Jade and jade boulders have been shipped on a limited and sporadic basis from B.C. for many years. For the first time this new deposit with professional management will permit the development of a major jade production and international marketing organization in B.C.

The jade deposit is located at the 3,400 foot elevation in the Tezzeron Mountain range about 60 miles east of Smithers, B.C. It is estimated to contain at least 2,000,000 pounds of jade in open large boulders and at least 50,000,000 pounds in open cliff faces. Geological work is underway during the summer of 1969 to determine with greater accuracy the quantity and quality of jade covered in the claims. Indications to date are that the general quality is high and international market acceptance to date has been most encouraging.

The Company loaned Jade Queen Mines Ltd. \$45,000 and T. L. Brook loaned \$55,000 to finance the acquisition of the claims and to provide necessary working capital for the 1969 production program.

The initial market will be to jewellery manufacturers in North America, the Orient and Europe but the eventual and hopefully much larger market will be to the construction industry for use as floor and wall tiles, furniture, etc. A major market development program will be undertaken with a view to substantially expanding the 1970 sales target of 200,000 pounds.



Solid jade cliff face on Jade Queen mine property.



Cutting jade boulders at the mine site of Jade Queen Mines.

SASKATCHEWAN URANIUM PROSPECTS

The Company has a claim permit covering 196,000 acres in the Woolaston Lake area in Northern Saskatchewan. The 1969 program involves extensive field work including a radiometric survey, magnetometer mapping and surface geological party.

The Company also has claim permits covering some 426,000 acres in the Ravenscrag lignite area of Southwestern Saskatchewan. Traces of uranium have been found in these deposits and a drilling and assay program is currently under way.

OTHER MINING PROPERTIES

The Company has varying interests in a number of claims and exploration activities on mining properties in B.C. and Yukon.

OIL AND NATURAL GAS

MANITOBA VIRDEN—ROSELEA

The Company in 1968 acquired a 50% interest in oil production from (9) existing wells in the Virden Roselea area. With some minor additional investment oil production has been increased substantially to the point where the Company investment of \$115,000 will be repaid in approximately three years.

ARCTIC CLAIMS

The Company acquired claims covering some 200,000 acres in the Melville Island area in late 1968.

In July 1969 they were farmed out for an immediate profit of \$85,000 plus an overriding gross royalty of 3½%.

OTHER

The Company has, in association with Asamer Oil Corporation Ltd., jointly acquired approximately 150,000 acres of Petroleum and Natural Gas rights in Canada. To date Asamer Oil Corporation Ltd. and Athabasca Columbia Mining Ltd. have expended a total of \$36,000 in this program.

TRUCKING

Since the end of the fiscal year at 31 May 1969 the Company has acquired a 40% interest in Kodiak Oil Field Haulers Inc. and other associated trucking operations in Alaska.

Prior to the Prudhoe Bay discovery Kodiak was the largest oilfield hauler in the Kenai area. Its main activity is now in the North Slope area where it will employ 25 large specially adapted oilfield hauling units this coming winter season which commences in September. In August, Kodiak completed the acquisition of Arctic Motor Freight Inc. which operates a general on-highway trucking business in Alaska including 20 trucks between Soldotna, Kenai, Anchorage and Fairbanks. Over the past two years total truck units (valued in excess of \$40,000 each) operated by Kodiak has increased from 15 to 60 and it is expected that up to 100 will be required by 1970. The present growth in demand for services from Kodiak is so rapid that its full potential is difficult to assess but the profit potential is most attractive.

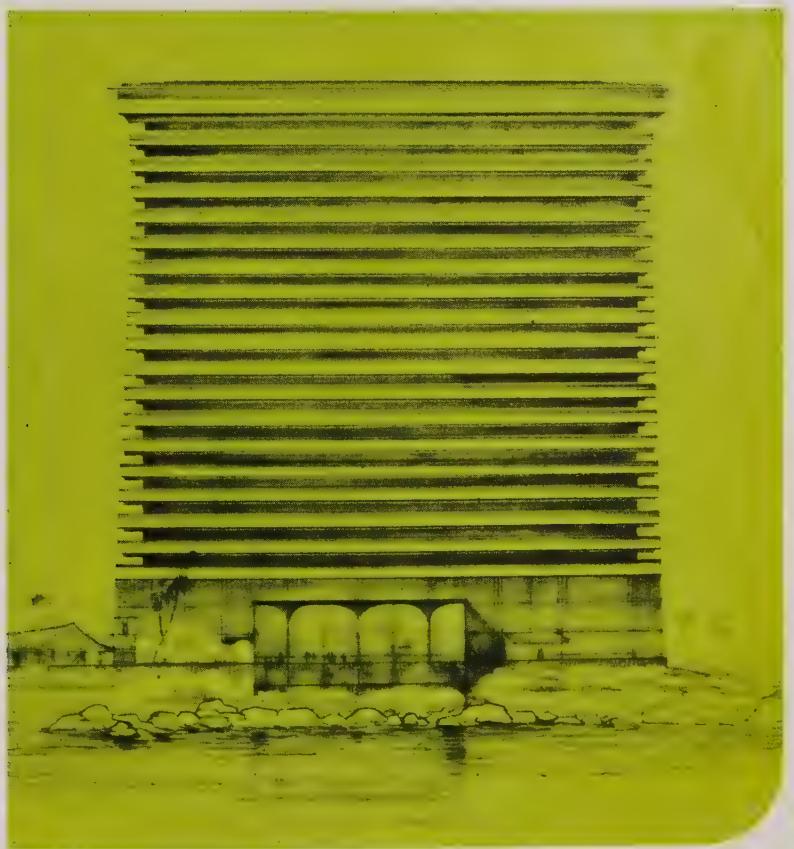
The Company purchased its 40% interest for US \$400,000 and 57,000 shares of the Company plus a loan advance to Kodiak of \$800,000 US by floating charge debenture repayable over 5 years with interest at 11½% during the first year and 8% thereafter. These latter funds are required for general working capital purposes and to assist in the financing of the large number of new trucks that will be required in the next year.

OUTLOOK AND PLANS FOR 1970

It is intended that with completion of the Kodiak Oil Field Haulers Inc. investment a period of consolidation will be required during the summer and early fall of 1969. This will enable management attention to be focused on the development and expansion of various companies in which the Company has become involved in the last few months. It will also provide a few months for generation of cash income from various operations to provide the funds needed for the next series of investments.



Proposed hotel and condominium project on Puerto Vallarta.



Proposed 450 room hotel project on southern beach Puerto Vallarta property.

ATHABASCA COLUMBIA RESOUR

CONSOLIDAT

M

(with compar

| ASSETS | 1969 | 1968 |
|--|-------------|------------|
| Current assets: | | |
| Cash | \$ 178,230 | \$ 39,300 |
| Accounts receivable | 21,468 | 2,400 |
| Accrued interest receivable | 6,050 | 3,858 |
| Mortgage receivable, current portion | 17,916 | 13,810 |
| Prepaid expenses | 3,223 | — |
| Total current assets | 226,887 | 59,368 |
| Investments, at cost: | | |
| Shares, quoted market value \$25,000 | 29,478 | — |
| Shares, no quoted market value | 76,198 | 40,009 |
| Notes receivable | 45,200 | — |
| Non-interest bearing debenture | 58,000 | — |
| 6% Loan receivable | 20,000 | 20,000 |
| | 228,876 | 60,009 |
| Investment in affiliated company, at cost (Note 2) | 193,681 | 436,543 |
| Property, plant and equipment, at cost (Note 3) | 2,047,374 | 25,098 |
| Less accumulated depreciation and depletion | 49,749 | — |
| | 1,997,625 | 25,098 |
| Other: | | |
| Deposits | 75,090 | — |
| Organization and financing expense | 30,056 | 8,096 |
| | 105,146 | 8,096 |
| | \$2,752,215 | \$ 589,114 |

See accompanying notes to financial statements.

AND SUBSIDIARY COMPANIES

ANCE SHEET

or 1968)

| LIABILITIES | 1969 | 1968 |
|--|------------------|----------------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 31,421 | \$ — |
| Mortgage payable, current portion | 9,320 | — |
| Income taxes payable | <u>11,057</u> | 42 |
| Total current liabilities | <u>51,798</u> | 42 |
| 8½% mortgage payable in monthly instalments of \$3,435 (principal and interest) to January 19, 1987; less current portion, above | <u>376,771</u> | — |
| Shareholders' equity: | | |
| Capital stock (Note 4): | | |
| Common shares without nominal or par value | | |
| Authorized 1,600,000; issued and outstanding 1,009,570 | 2,174,216 | — |
| Class "A" voting common shares without nominal or par value. Authorized 729,300 shares; issued 188,370 shares | — | 243,311 |
| Class "B" non-voting common shares without nominal or par value. Authorized 270,700 shares; issued 172,150 shares | <u>—</u> | <u>184,505</u> |
| Retained earnings | <u>2,174,216</u> | <u>427,816</u> |
| | <u>149,430</u> | <u>161,256</u> |
| | <u>2,323,646</u> | <u>589,072</u> |
| Commitments (Note 5) | | |

Signed on behalf of the Board:

W. A. Dow

W. A. Dow, Director

E. E. McNally

E. E. McNally, Director

\$2,752,215

\$ 589,114

ATHABASCA COLUMBIA RESOURCES LTD. AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS

Year ended May 31, 1969

(with comparative figures for 1968)

| | 1969 | 1968 |
|--|-----------|--------|
| Revenue: | | |
| Parkade | \$ 78,351 | \$ — |
| Crude oil sales | 24,113 | — |
| Management fees | 1,200 | 2,400 |
| Interest | 26,866 | 20,450 |
| Dividends | 300 | — |
| Other | 93 | — |
| | 130,923 | 22,850 |
| Expenses: | | |
| Parkade operating | 17,287 | — |
| Property taxes | 7,909 | — |
| Crude oil production | 10,304 | — |
| Dry hole and abandonments | 27,964 | 12,937 |
| Depletion and depreciation | 18,598 | — |
| Interest: | | |
| Long term debt | 25,817 | — |
| Bank loans | 18,584 | — |
| Administration | 51,775 | 15,096 |
| | 178,238 | 28,033 |
| Net loss before the following | 47,315 | 5,183 |
| Gain on sale of securities | 46,280 | — |
| Loss on sale of fixed assets | (908) | — |
| | 45,372 | — |
| Net loss before income taxes | 1,943 | 5,183 |
| Provision for income taxes of a subsidiary company | 5,529 | 42 |
| Net loss | \$ 7,472 | 5,225 |

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended May 31, 1969

(with comparative figures for 1968)

| | 1969 | 1968 |
|--|------------|------------|
| Retained earnings, beginning of year | \$ 161,256 | \$ 191,714 |
| Deduct: | | |
| Loss realized on sale of investments | — | 15,096 |
| Write down of investments to realizable value | — | 10,137 |
| Net loss for the year | 7,472 | 5,225 |
| Fifty percent of deficit of Athabasca Columbia Parking Ltd. at May 31, 1968 (Note 1) | 4,354 | — |
| | 11,826 | 30,458 |
| Retained earnings, end of year | \$ 149,430 | \$ 161,256 |

See accompanying notes to financial statements.

ATHABASCA COLUMBIA RESOURCES LTD. AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended May 31, 1969
 (with comparative figures for 1968)

| | 1969 | 1968 |
|---|-------------------|------------------|
| Funds provided: | | |
| Issue of capital stock | \$1,496,400 | \$ — |
| Sale of debenture | 250,000 | — |
| Sale of investments | 226,695 | 155,184 |
| Sale of property, plant and equipment | 1,600 | — |
| 8½% mortgage, payable | 376,771 | — |
| Retirement of 7% second mortgage receivable | 64,710 | 13,801 |
| Payment on non-interest bearing note receivable | — | 16,839 |
| Total funds provided | <u>2,146,086</u> | <u>185,824</u> |
| | <u>2,416,176</u> | |
| Funds used: | | |
| Net loss for the year | 7,472 | 5,225 |
| Add gain on sale of investments | <u>46,280</u> | <u>—</u> |
| | <u>53,752</u> | <u>5,225</u> |
| Deduct charges not requiring an outlay of funds: | | |
| Dry holes and abandonments | 27,964 | — |
| Depreciation and depletion | 8,501 | — |
| Loss on sale of fixed assets | <u>908</u> | <u>—</u> |
| | <u>37,373</u> | <u>—</u> |
| Funds used in operations | 16,379 | 5,225 |
| Non-interest bearing debenture | 58,000 | — |
| Notes receivable | 45,200 | — |
| Purchase of investments | 244,090 | 137,680 |
| Purchase of property, plant and equipment | 266,938 | 15,294 |
| Purchase of other assets | 97,050 | — |
| Purchase of property, plant and equipment of subsidiary companies less depreciation | <u>1,572,756</u> | <u>—</u> |
| | <u>2,300,413</u> | <u>158,199</u> |
| Increase in working capital | <u>\$ 115,763</u> | <u>\$ 27,625</u> |

See accompanying notes to financial statements.

ATHABASCA COLUMBIA RESOURCES LTD. AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 1969

1. Principles of consolidation:

The consolidated financial statements include the accounts of the company's wholly owned subsidiaries, Athabasca Columbia Buildings Ltd., Athabasca Columbia Mining Ltd., Athabasca Columbia Parking Ltd., Inversora Comercial de Occidente S.A. de C.V. and Hotel Club Los Arcos S.A. de C.V. Prior to May 31, 1968 the company owned a 50% interest in Athabasca Columbia Parking Ltd. During the year ended May 31, 1969 the company acquired the balance of the issued and outstanding stock of Athabasca Columbia Parking Ltd., by issuing 24,000 common shares of the company (See Note 4). The excess of the purchase price of the shares of Athabasca Columbia Parking Ltd. has on consolidation been allocated and charged to land and buildings; the excess of the purchase price of the shares of Inversora Comercial de Occidente S.A. de C.V. has on consolidation been charged to land. All intercompany accounts and transactions have been eliminated on consolidation. The accounts of foreign subsidiaries have been converted to Canadian dollars at the applicable equivalent rates of foreign exchange.

2. Investment in affiliated company:

| | | | |
|--|--|-------------------|--|
| Executive House Ltd. (fifty percent owned) | | | |
| Shares—at cost | | \$ 8 | |
| 7% Second mortgage receivable—net of current portion | | <u>193,673</u> | |
| | | <u>\$ 193,681</u> | |

Executive House Ltd. has recorded a deficit of \$94,706 at April 30, 1969; no provision has been made in the accompanying consolidated financial statements for the company's interest in this amount.

3. Property, plant and equipment:

| | Cost | Accumulated Depreciation and depletion | Net book value |
|---|--------------------|--|--------------------|
| Land | \$1,257,456 | — | \$1,257,456 |
| Parking structure | 484,133 | 41,489 | 442,644 |
| Producing oil properties | 77,500 | 5,561 | 71,939 |
| Equipment | 37,611 | 2,699 | 34,912 |
| Deferred development and exploration costs | 89,357 | — | 89,357 |
| Arctic permits | 49,420 | — | 49,420 |
| Mining properties | 3,000 | — | 3,000 |
| Construction in progress | 11,227 | — | 11,227 |
| Pre-operating expenses | 37,670 | — | 37,670 |
| | <u>\$2,047,374</u> | <u>49,749</u> | <u>\$1,997,625</u> |

4. Capital stock:

By special resolution, dated September 20, 1968, the company increased its authorized capital stock from 729,300 Class "A" voting common shares without nominal or par value and 270,700 Class "B" non-voting common shares without nominal or par value all to be issued for a maximum consideration of \$1,500,000 to 829,300 Class "A" voting common shares without nominal or par value and 770,700 Class "B" non-voting common shares without nominal or par value all to be issued for a maximum consideration of \$4,500,000.

During the year ended May 31, 1969, the company issued 60,000 Class "A" common shares in consideration of a 50% interest in a Mexican corporation, Inversora Comercial de Occidente S.A. de C.V. A value of \$2.80 per share was assigned to these shares by the directors of the company.

In 1965 the company granted an option to each of the original subscribers of Class "A" common shares giving them the right to purchase Class "B" common shares in an amount up to but not greater than one share for each original Class "A" share purchased. These options are exercisable for a period of five years from May 10, 1965 at a price of 90 cents per share net to the company. The aforementioned options cover the original subscriptions of 100,000 Class "A" common shares.

The company also granted, in 1966, to each of seven directors, the right to purchase in the aggregate 70,000 Class "A" common shares at a price of \$1.40 per share; these options are exercisable for a period of five years from February 22, 1966 or before retirement as a director of the company.

During the year options covering 60,000 Class "A" common shares were exercised for a cash consideration of \$84,000. An option for 10,000 shares was exercised previously so that all options under this plan have now been exercised.

By special resolution, dated December 19, 1968, the company altered its authorized capital stock from 829,300 Class "A" voting common shares without nominal or par value and 770,700 Class "B" non-voting shares without nominal or par value, all to be issued for a maximum consideration of \$4,500,000 to 1,600,000 common shares without nominal or par value to be issued for a maximum consideration of \$4,500,000. The 308,370 issued and outstanding Class "A" shares and 172,150 issued and outstanding Class "B" shares were converted to 480,520 issued and outstanding common shares. As a result of this resolution the options covering Class "A" and Class "B" shares were converted to options covering a similar number, in the aggregate, of common shares.

During the period subsequent to this resolution 5,050 shares were issued pursuant to stock option agreements for a cash consideration of \$4,545; 400,000 shares for a cash consideration of \$1,120,000; 100,000 shares in conversion of 7% convertible redeemable debentures in the amount of \$250,000; and 24,000 shares for 50% of the issued and outstanding capital stock of Athabasca Columbia Parking Ltd., to which a value has been recorded of \$119,856.

The aggregate of the options granted and outstanding at May 31, 1969 amounted to 93,500 shares at 90 cents per share.

5. Subsequent events and commitments:

Subsequent to May 31, 1969 the company entered into the following transactions:

- (a) The acquisition of a forty percent interest in Arctic Motor Freight Inc., Kenai Trucking (1969) Ltd. and Kodiak Oilfield Haulers Inc. for a cash consideration of \$400,000 (U.S. funds) and 57,600 shares of the company. In addition Athabasca Columbia

Resources Ltd. is committed to loan, for a five year term, to the companies the sum of \$800,000 (U.S. funds) to bear interest at 11½% per annum for the first year and 8% per annum thereafter. The loan is to be secured by a first floating charge on all assets of the companies.

- (b) In connection with the acquisitions in (a) above the company has negotiated a loan, in the amount of \$1,200,000 at 11% per annum, from a trust company. The loan is secured by a letter of credit from the company's bankers.
- (c) The acquisition of 27½% of the outstanding capital stock of Jade Queen Mines Limited for a cash consideration of \$275 and a commitment to advance up to \$45,000 to that company.
- (d) The sale of the company's interest in certain Arctic Island petroleum and natural gas rights subject to the retention of a 3% gross overriding royalty. This transaction resulted in a net gain of \$83,580.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Athabasca Columbia Resources Ltd. and subsidiaries as of May 31, 1969 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. In our opinion, these consolidated financial statements present fairly the financial position of the company and subsidiaries at May 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
July 23, 1969

Peat Marwick Mitchell & Co.
Chartered Accountants.

EXECUTIVE HOUSE LTD.

BALANCE SHEET

April 30, 1969

(With Comparative Figures for 1968)

ASSETS

| | 1969 | 1968 |
|--|---------------------------|---------------------------|
| CURRENT ASSETS | | |
| Cash | \$ 750 | \$ 700 |
| Accounts receivable | 17,497 | 10,563 |
| Inventory — at lower of cost or net realizable value | 6,808 | 7,592 |
| Prepaid expenses | 36,955 | 32,462 |
| TOTAL CURRENT ASSETS | <u>62,010</u> | <u>51,317</u> |
| PROPERTY, PLANT AND EQUIPMENT — at cost (Note 2) | 1,760,807 | 1,718,669 |
| LESS: Accumulated depreciation | 351,099 | 264,593 |
| | <u>1,409,708</u> | <u>1,454,076</u> |
| OTHER ASSETS | | |
| Unamortized finance charges | 230 | 471 |
| Organization expense | 426 | 426 |
| Deferred income tax charges (Note 3) | 38,039 | 40,813 |
| | <u>38,695</u> | <u>41,710</u> |
| | <u><u>\$1,510,413</u></u> | <u><u>\$1,547,103</u></u> |

LIABILITIES

| | 1969 | 1968 |
|---|---------------------------|---------------------------|
| CURRENT LIABILITIES | | |
| Bank of Montreal — | | |
| Current account overdraft | \$ 16,943 | \$ 6,525 |
| Bank loan (Secured) (Note 4) | 11,000 | 2,000 |
| Accounts payable and accrued liabilities | 61,336 | 36,987 |
| Accrued interest payable | 7,437 | 7,582 |
| Current portion of long-term debts | 44,903 | 40,273 |
| TOTAL CURRENT LIABILITIES | <u>141,619</u> | <u>93,367</u> |
| LONG-TERM DEBT (Note 5) | <u>1,463,484</u> | <u>1,554,132</u> |
| SHAREHOLDERS' DEFICIT | | |
| Capital Stock | | |
| Authorized: | | |
| 10,000 Common shares without nominal or par value | | |
| Issued: | | |
| 16 Shares for cash | 16 | 16 |
| Deficit | (94,706) | (100,412) |
| | <u>(94,690)</u> | <u>(100,396)</u> |
| | <u><u>\$1,510,413</u></u> | <u><u>\$1,547,103</u></u> |

See accompanying notes to Financial Statements.

This is the Balance Sheet referred to in our report of this date.

Victoria, B.C.
August 25, 1969

APPROVED ON BEHALF OF THE BOARD:

W. A. DOW, Director
E. E. McNALLY, Director

EXECUTIVE HOUSE LTD.

STATEMENT OF EARNINGS

For the year ended April 30, 1969

(With Comparative Figures for 1968)

| | 1969 | 1968 |
|------------------------------|-----------------|-------------------|
| OPERATING REVENUES | | |
| Hotel rooms | \$ 201,813 | \$ 175,699 |
| Apartments | 171,609 | 166,966 |
| Food services | 79,628 | 70,253 |
| Commercial areas and parking | 25,023 | 23,198 |
| Other | 4,167 | 3,947 |
| | <u>482,240</u> | <u>440,063</u> |
| OPERATING EXPENSES | | |
| Hotel rooms and apartments | 67,898 | 54,559 |
| Food services | 34,079 | 28,933 |
| Wages and salaries | 111,396 | 99,926 |
| Property taxes and insurance | 47,148 | 46,725 |
| Administrative and general | 9,898 | 8,173 |
| Advertising | 7,997 | 7,588 |
| Interest — Long-term | 107,475 | 108,306 |
| — Other | 1,363 | 1,527 |
| Depreciation | 86,506 | 88,714 |
| | <u>473,760</u> | <u>444,451</u> |
| NET PROFIT (LOSS) | | |
| BEFORE INCOME TAXES | 8,480 | (4,388) |
| INCOME TAXES (Note 3) | | |
| Deferred (Credit) | 2,774 | (921) |
| NET PROFIT (LOSS) | <u>\$ 5,706</u> | <u>\$ (3,467)</u> |

STATEMENT OF DEFICIT

For the year ended April 30, 1969

(With Comparative Figures for 1968)

| | | |
|------------------------------|------------------|-------------------|
| BALANCE, beginning of period | \$ 100,412 | \$ 96,945 |
| NET PROFIT (LOSS) | 5,706 | (3,467) |
| BALANCE, END OF PERIOD | <u>\$ 94,706</u> | <u>\$ 100,412</u> |

EXECUTIVE HOUSE LTD.

NOTES TO FINANCIAL STATEMENTS

April 30, 1969

1. The Company was incorporated under the laws of the Province of British Columbia on February 19, 1964 and commenced business on July 1, 1965. Between the date of incorporation and July 1, 1965 the transactions of the Company were those involved in the construction of a building.

2. Property, plant and equipment:

| | Cost | Accumulated Depreciation | Net Book Value |
|-------------------------|--------------------|--------------------------|--------------------|
| Land | \$ 93,063 | \$ — | \$ 93,063 |
| Building | 1,435,804 | 253,923 | 1,181,881 |
| Furniture and equipment | 227,728 | 95,028 | 132,700 |
| Automotive equipment | 4,212 | 2,148 | 2,064 |
| | <u>\$1,760,807</u> | <u>\$ 351,099</u> | <u>\$1,409,708</u> |

3. Deferred income tax charges:

During the year ended April 30, 1969 the Company, which previously used the taxes payable basis for accounting for taxes on income, adopted the tax allocation basis and accordingly the net earnings for the year ended April 30, 1969 is \$2,774 less than the amount which would have been reported if the previous basis had been used. The earnings figures for April 30, 1968 have been restated to place them on a comparable basis with the current year with the consequent reduction in net loss reported of \$40,813.

The deferred income tax charge of \$38,039, included in the accompanying Balance Sheet and representing future income tax reductions, results from the application of depreciation, for income tax purposes, in an amount less than the depreciation reported in the accounts of the Company. In future years when depreciation for income tax purposes is in excess of that provided in the accounts a deferred tax expense will reduce this amount.

4. Bank loan:

The bank loan is secured by a general assignment of book accounts.

| | Current Portion | Long-Term Portion |
|---|------------------|--------------------|
| 7% Mortgage payable, payable in monthly installments of \$9,631 (principal and interest) due June 1, 1970 | \$ 26,328 | \$1,267,013 |
| 7% Second mortgage payable, payable in monthly installments of \$2,680 (principal and interest) | 17,456 | 196,471 |
| Conditional sales agreement | 1,119 | — |
| | <u>\$ 44,903</u> | <u>\$1,463,484</u> |

TO THE DIRECTORS OF EXECUTIVE HOUSE LTD.

We have examined the Balance Sheet of Executive House Ltd. as at April 30, 1969 and the Statements of Earnings and Deficit for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements supplemented by notes thereto present fairly the financial position of the Company as at April 30, 1969 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

Victoria, B.C.
August 25, 1969

Hofstrand, Ellis, Foster, Jermain & Quelch
Chartered Accountants

CORPORATE CHART

**ATHABASCA COLUMBIA
RESOURCES LTD.**

REAL ESTATE

ATHABASCA COLUMBIA PARKING LTD. 100%

(Earnings will be consolidated in 1969-70 fiscal year)

Vancouver Parkade

CIA INVERSORA COMERCIAL S.A. 100%

Mexican holding company, beach property, Puerto Vallarta

EXECUTIVE HOUSE LTD. 50%

(Earnings not consolidated) Hotel-apartment at Victoria, B.C.

ANMORE RECREATIONS LTD. 45%

(Earnings not consolidated) Trailer park, Port Moody, B.C.

MINING, PETROLEUM & NATURAL GAS

ATHABASCA COLUMBIA MINING LTD. 100%

a. Manitoba Virden Roselea production 50% (Gulf Oil Company 50%)

b. Arctic P. & NG Permits, 3½% Gross overriding royalty

c. Miscellaneous Exploration Permits

JADE QUEEN MINES LTD. NPL 27½%

ARbutus ISLAND MINES LTD. NPL 45%

TRUCKING

KODIAK OILFIELD HAULERS INC. (DBA HOMER FREIGHT LINES) 40%

(Earnings, not consolidated) Which owns:

a. 100% in Arctic Motor Freight Inc.

b. 100% in Kenai Trucking Ltd.

c. 100% in Kenai Trucking (1969) Ltd.

MISCELLANEOUS

VIEW A VACATION INTERNATIONAL LTD. 20%

FATHOM OCEANOLOGY LTD. 4%

ASTROTRONIC RESEARCH LTD. 50%

DIRECTORS AND OFFICERS

| | | |
|------------------|-----------------|------------------------|
| W. H. Ripley | Calgary | Chairman and President |
| W. N. Graburn | Calgary | Vice President |
| E. E. McNally | Calgary | Secretary-Treasurer |
| J. W. Barrington | Calgary | |
| J. M. Pryde | Calgary | |
| W. A. Dow | Vancouver | |
| J. G. Chaston | Vancouver | |
| P. R. Sandwell | Vancouver | |
| P. M. Barrington | Surrey, England | |

MANAGEMENT COMMITTEE

W. H. Ripley
E. E. McNally
W. A. Dow

HEAD OFFICE

Suite 501, 315 - 8th Avenue S.W., Calgary 2, Alberta

REGISTRAR AND TRANSFER AGENT

Canada Permanent Trust Company - Calgary and Vancouver

AUDITORS

Peat Marwick Mitchell & Co.

STOCK LISTED - Vancouver Stock Exchange
- Calgary Stock Exchange

